

News release on behalf of the Auditor General for Scotland and the Accounts Commission

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Data gap limits analysis of Covid-19 business support

A detailed analysis of how Covid-19 business support funding was distributed during the pandemic is not possible due to gaps in data.

The Scottish Government provided about £4.4 billion of grants and non-domestic rate reliefs between March 2020 and October 2021, mostly paid out to businesses by councils. The government announced a further £375 million of support in December 2021 following the emergence of the Omicron variant.

Steps were taken to improve the management of funding during the pandemic. But there was not enough focus on gathering detailed data on how money was distributed and how quickly applicants received funding. This means:

- The Scottish Government does not have an analysis of the total amounts paid out from the more general schemes to different economic sectors
- For sector specific funding administered by national organisations such as Scottish Enterprise, around 20 per cent of payments cannot currently be matched to council areas
- Similarly, information to enable wider analysis of how funding supported specific groups, such as the female owned businesses disproportionately hit by Covid-19, is not available from Scottish Government centrally held data.

In late 2021, the Scottish Government completed retrospective impact assessments to consider how business support funding addressed inequalities. A retrospective fraud review of funding that councils administered was also carried out. The government is currently undertaking a large data cleansing exercise to ensure that the datasets for individual funds, including those administered by councils, are complete.

Stephen Boyle, Auditor General for Scotland said:

"These business support schemes were administered at pace in exceptional circumstances. But knowing where the money went matters. To get future policy development and delivery right, it will be important for the Scottish Government to fully understand how funding was used to support specific businesses and groups over the last two years of the pandemic."

William Moyes, Chair of the Accounts Commission said:

"Councils' fraud arrangements are generally robust, but they were heavily relied upon to ensure businesses were eligible for funding during the pandemic. Councils will need to continue to work

closely with the Scottish Government to ensure a better picture emerges of how money was distributed."

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Notes to Editor:

1. This briefing is produced jointly by the Auditor General for Scotland and the Accounts Commission, prepared on their behalf by Audit Scotland.
2. As of March 2021, there were around 344,500 private sector businesses operating in Scotland (over 99 per cent SMEs). This represents an annual decrease of 5.4 per cent (from the beginning of the pandemic).
3. The retrospective equality impact assessments found that funding provided through the general schemes supported specific demographic groups, for example younger workers, due to their over-representation with certain areas of the labour market (hospitality, leisure and retail).
4. The Scottish Government's retrospective fraud review in late 2021 concluded that around £2 billion of funding administered by councils was at high risk of fraud. The Scottish Government subsequently [estimated](#) that of the £1.6 billion distributed from these schemes in 2020/21, between £16 million to £32 million was at risk of fraud or error. This Auditor General for Scotland concluded that this estimate was reasonable in his [s22 report on the Scottish Government Consolidated Accounts](#), but recommended continued monitoring and reporting.
5. The Scottish Government accepted a higher-than-normal fraud risk due to the speed at which business support schemes were set up and the need to make payments quickly. For council administered funds, the Scottish Government relied on councils to ensure eligibility. This recognised that councils' existing control environments and fraud arrangements are generally robust.
6. Council staff and other public body employees had to respond rapidly to ensure payments were made, working under pressure in unfamiliar environments.
7. Audit Scotland has prepared this briefing for the Auditor General for Scotland and the Accounts Commission. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk
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